

November 17, 2015

The Honorable Tom Wheeler
Chairman
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Dear Chairman Wheeler:

The Federal Communications Commission (FCC) plays an imperative and unique role in supporting rural connectivity. In the 21st century economy, robust telecommunications networks are increasingly important for today's users, and serve as the foundation of future innovation and economic progress. As the Commission continues to reform its universal service funding mechanisms to adapt to a changing technological environment, we commend the Commission's ongoing attention and support of underserved rural areas.

Unfortunately, deployment of these networks in rural communities continues to lag behind those in urban areas. Recently, the Commission announced over \$1.5 billion in annual funding as part of the second phase of the Connect America Fund (CAF). The primary purpose of these funds is supporting investments in the most underserved communities. The Commission has announced that ten telecommunications carriers have accepted this support, which will direct over \$9 billion to rural broadband development over the next six years. *The high cost to deploy networks in rural areas creates a heavy reliance on the federal funding provided by the FCC, and it is important that these funds are used efficiently.*

We agree with your recent remarks at the NTCA Fall Conference on the importance of ensuring accountability within the Commission's universal service program. While your statement was directed at reports of fraud and abuse by a handful of carriers, we believe the same commitment to responsible and efficient use of federal funds should be applied to all carriers who benefit from universal service program funding, including those supported by CAF. We also applaud your recent Public Notice reminding carriers to not use their funding in wasteful or fraudulent ways. Should we need stronger enforcement mechanisms to ensure that the Fund is used appropriately to advance rural broadband deployment, we would look forward to working with you on identifying the right solutions.

CAF is designed to advance critical broadband deployment in our rural communities and improve rural access. In order to ensure the success of the CAF program, we respectfully request a list of accountability mechanisms currently in place to ensure that recipients are using the funds for their intended purpose, that build-out requirements are being met, and that locations reported as newly served are actually receiving service that meets CAF II standards. As you may be aware, the general public has an increasing interest in the outcomes of CAF investments, and we


believe making these measures of accountability publicly available would be well received. We would also like to know what enforcement mechanisms will be implemented in cases where carriers fail to meet their obligations.

We believe strict enforcement measures, coupled with transparency around how, where, and when the funds are used, are necessary to ensure the integrity of the CAF program and the success of the FCC's efforts to advance rural broadband. We seek to maximize the success of the program and ensure that these limited funds are put to the best, appropriate use. We look forward to working with you to promote the continued adoption and expansion of broadband services, and to improve the efficiency and effectiveness of the Connect America Fund.

Sincerely,


Shelley Moore Capito

United States Senator



Steve Daines
United States Senator


Angus S. King, Jr.
United States Senator

cc: The Honorable Mignon Clyburn, Commissioner, Federal Communications Commission
The Honorable Jessica Rosenworcel, Commissioner, Federal Communications Commission
The Honorable Ajit Pai, Commissioner, Federal Communications Commission
The Honorable Michael O'Rielly, Commissioner, Federal Communications Commission



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

February 18, 2016

The Honorable Shelley Moore Capito
United States Senate
172 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Capito:

Thank you for your letter regarding accountability mechanisms the Commission has implemented to ensure that carriers use disbursements from the Connect America Fund, in particular Phase II, responsibly and efficiently. Your views are very important and will be included in the record of the proceeding.

I agree that the Commission plays an important and unique role in supporting rural connectivity. Part of that role is ensuring that recipients of Connect America support use disbursements responsibly and efficiently and that we hold accountable those that do not meet their commitments. We take our responsibility as stewards of public funds seriously, and we do our utmost to safeguard the integrity of the Universal Service Fund (USF).

To that end, the Commission has in place accountability mechanisms that include rigorous reporting and build-out requirements for Connect America Phase II. The mechanisms ensure that carriers use the funds for their intended purpose, that buildout-out requirements are being met, and that locations reported as newly served are actually receiving service that meets the Connect America Phase II standards.

All recipients of federal high-cost universal service support must file annual reports with the Commission, the Universal Service Administrative Company (USAC) – the entity designated by the FCC as the administrator of USF funds – and, to the extent applicable, the relevant state commission, the relevant authority in a U.S. Territory, or the Tribal government. For recipients of Connect America Phase II model-based support, these annual reports must include, among other things: a geocoded list of locations with newly deployed facilities in the previous calendar year, a certification, under perjury, that the carrier offered broadband meeting the requisite public interest obligations to those locations, and the total amount of Phase II support used for capital expenditures in the previous calendar year.

The Commission carefully reviews these annual progress reports. In addition, USAC separately reviews annual progress reports filings and also conducts regular audits of support recipients. Finally, state commissions with jurisdiction over recipients must file certifications with the Commission and USAC annually, based in part on their own review of the annual reports assuring that the support was used for the intended purpose in the preceding calendar

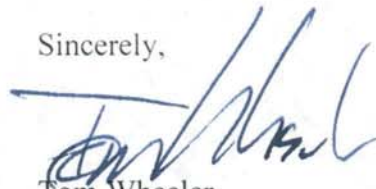
year and will be used for the intended purpose in the coming calendar year. Carriers not subject to the jurisdiction of a state commission (none of which receive Phase II model-based support) make that certification directly to the Commission and USAC. Carriers do not receive support without this certification.

Carriers that fail to satisfy their obligations—for instance, by not building to the required number of locations or by not providing service that meets the Commission's requirements—are subject to increased reporting obligations and support reductions that scale with the extent of the recipient's non-compliance, but are given the opportunity to cure. Recipients of support may also be subject to enforcement actions for non-compliance with the terms and conditions of funding. Sanctions stemming from these enforcement actions take into account the nature, circumstances, extent, and gravity of any violation. These clear and straightforward accountability mechanisms ensure that recipients of Connect America support deploy networks in rural communities in a responsible, accountable, and efficient manner.

You also reference the importance of transparency, which I agree is essential. We expect to make public certain buildout data reported by carriers. This data will allow the public to monitor carriers' progress and see the impact of universal service support on broadband deployment in high-cost areas.

I appreciate your interest in this matter. Please let me know if I can be of any further assistance.

Sincerely,



Tom Wheeler



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

February 18, 2016

The Honorable Steve Daines
United States Senate
320 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Daines:

Thank you for your letter regarding accountability mechanisms the Commission has implemented to ensure that carriers use disbursements from the Connect America Fund, in particular Phase II, responsibly and efficiently. Your views are very important and will be included in the record of the proceeding.

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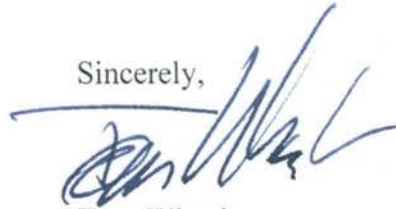
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Sincerely,

A handwritten signature in blue ink, appearing to read "Tom Wheeler", with a horizontal line drawn above it.

Tom Wheeler



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

February 18, 2016

The Honorable Angus King
United States Senate
133 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator King:

Thank you for your letter regarding accountability mechanisms the Commission has implemented to ensure that carriers use disbursements from the Connect America Fund, in particular Phase II, responsibly and efficiently. Your views are very important and will be included in the record of the proceeding.

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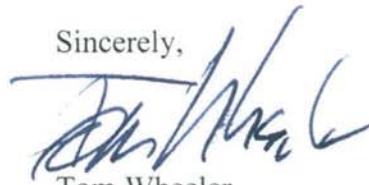
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Tom Wheeler